



Coming to Grips With Secular Investing With Northland Power Inc.

Description

Secular trends are long-term, disruptive phenomena that have the potential to cause ground-breaking, technological, economic, social, and demographic shifts that can last for decades or even longer. These trends have the potential to disrupt existing companies and markets as well as act as powerful long-term tailwinds for companies that are positioned to benefit from them.

One key driver of secular trends are rapid and disruptive changes in technology; an important example is the demise of **Eastman Kodak Co.**

It was only 30 years ago when Kodak was considered the leader in film and camera technology. Then the emergence of digital film technology eventually pushed the one-time market leader into bankruptcy, underscoring just how important it is to identify secular trends and the companies those trends can harm as well as benefit.

Now what?

Probably the most important secular trend of the 21st century is the rapid shift to clean, renewable energy sources. Not only has there been a groundswell of public opinion in support of renewable energy, but governments are implementing aggressive clean-energy targets aimed at boosting the amount of electricity generated by renewable sources of energy and regulating coal-fired power generation out of existence.

This phenomena is occurring in Canada, where the government of Alberta is targeting that 30% of all electricity in the province will come from renewable sources by 2030. The province will cap emissions and make it more costly for greenhouse emitters to continue their operations.

One company that is well positioned to benefit from this trend is **Northland Power Inc.** ([TSX:NPI](#)). It owns and operates a diversified portfolio of solar, wind, and thermal power-generating assets across Canada and Germany with net-generating capacity of 1,394 megawatts; the majority of its operations are focused in southeastern Canada.

Northland is also focused on expanding its operations with a further 642 megawatts under

construction. Its projects include the Gemini and Nordsee One offshore wind projects in the Netherlands and Germany as well as the Marmora Pumped Storage Hydro project in Canada.

Despite the considerable capital that Northland has invested in expanding its operations, its financial performance continues to improve; first-quarter 2016 EBTDA rose by 7% compared with the same quarter in 2015.

More importantly, the shift to renewable sources of energy globally continues apace regardless of the state of the global economy, which means that demand for clean electricity will continue to grow, despite the economic slump that many countries find themselves caught in at this time.

When considered along with Northland's wide economic moat, the expansion of its portfolio of renewable energy assets and the growing demand for electricity virtually guarantee its earnings growth. This will eventually translate into a healthy bump for its bottom line and a higher share price.

So what?

It is difficult to ignore Northland because it's well positioned to benefit from the secular trend to clean, renewable sources of electricity. Demand for renewable energy remains strong and continues to grow despite cheap oil, natural gas, and coal prices. This can only continue as a range of governments around the globe seek to eventually remove fossil fuels from the energy mix.

Then there is Northland's regular dividend payment. With a juicy yield of almost 5%, the dividend will reward patient investors as they wait for the tailwinds discussed to have the desired effect and push its share price higher.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:NPI (Northland Power Inc.)

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Author

mattdsmith

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